

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01
DOE-15 /126 W

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FM AMEMBASSY MADRID
TO SECSTATE WASHDC 5936
INFO AMEMBASSY PARIS
USMISSION GENEVA

C O N F I D E N T I A L MADRID 10039

EB FOR KATZ

PASS TREASURY FOR PETER D. EHRENHAFT

OECD

USMTN

E.O. 11652: GDS
TAGS: ETRD, SP
1UBJ: COUNTERVAILING DUTY REVISION--ZINC, BOTTLED OLIVES
AND FOOTWEAR FROM SPAIN

REF: STATE 149353, STATE 218957

1. THE FOREIGN MINISTRY HAS INFORMED THE EMBASSY BY NOTE
VERBAL NUMBER 267/3 DATED AUGUST 22, 1978, OF THE "GRAVE
PREOCCUPATION" OF THE SPANISH GOVERNMENT OVER THE U.S.
TREASURY NOTICE OF REOPENING OF THE COUNTERVAILING DUTY
QUESTION ON SPANISH EXPORTS OF FOOTWEAR, OLIVES AND ZINC.
THE NOTE REFERS TO THE MANY IN-DEPTH EXCHANGES BETWEEN
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THE U.S. AND SPANISH GOVERNMENTS ON THIS SUBJECT AND TO
THE JUNE 15, 1978 TREASURY RULINGS WHICH REDUCED THE
COUNTERVAILING DUTIES ON THESE ITEMS, NOTING THAT THESE
REDUCTIONS RAISED THE EXPECTATIONS OF SPANISH EXPORTERS
WHO, ACTING ON THAT BASIS, NOW FACE NEW UNCERTAINTY AND
ECONOMIC DISRUPTION.

2. I REGRET THAT THE EMBASSY WAS NOT INFORMED IN ADVANCE OF TREASURY'S INTENTION TO REVIEW THE BASES UPON WHICH IT REVISED COUNTERVAILING DUTY RATES. ADVANCE NOTIFICATION WOULD HAVE PERMITTED US TO ANTICIPATE SPANISH REACTIONS TO THAT DECISION AND WOULD HAVE AFFORDED US AN OPPORTUNITY TO COMMENT ON THE LIKELY CONSEQUENCES OF THE DECISION. THE INFORMATION CONVEYED IN STATE 218957 WAS RECEIVED AUGUST 29, TOO LATE, OF COURSE, TO SERVE THESE OBJECTIVES.

3. COMMENT: THE CONCERN EXPRESSED BY THE GOS REFLECTS NOT ONLY THE FACT THAT SHOES AND OLIVES ARE MAJOR EXPORT ITEMS TO THE U.S. BUT THE FACT THAT THE JUNE 15 REDUCTIONS WERE ARRIVED AT ONLY AFTER LENGTHY AND INTENSIVE CONSULTATIONS THROUGH THE U.S.-SPAIN JOINT ECONOMIC COMMITTEE AND OTHER BILATERAL CONTACTS. THESE REDUCTIONS WERE WIDELY PUBLICIZED HERE BY THE GOS AS EXAMPLES OF THE COOPERATION EXPECTED UNDER THE TREATY. TO REVERSE THE RECENT DECISION AT THIS EARLY DATE WOULD MORE THAN OFFSET THE BENEFITS TO U.S.-SPANISH RELATIONS WHICH FLOWED FROM THE DOWNWARD REVISION OF COUNTERVAILING DUTIES JUNE 10, WOULD RAISE DOUBTS AS TO THE EFFICACY OF THE JOINT ECONOMIC COMMITTEE AS A COOPERATIVE MECHANISM, WOULD BRING INTO QUESTION THE RELIABILITY OF OUR ACTIONS, AND WOULD LAY OPEN THE GOS TO CRITICISM AT AN IMPORTANT TIME IN THE TRANSITION TO DEMOCRACY.

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